



HOUSE BILL 1039: Omnibus Occupancy Tax Changes.

2016-2017 General Assembly

Committee:	Senate Finance	Date:	June 22, 2016
Introduced by:	Reps. L. Bell, Brisson	Prepared by:	Cindy Avrette
Analysis of:	PCS to First Edition H1039-CSRBxr-62		Committee Co-Counsel

SUMMARY: *House Bill 1039 would increase from 3% to 6% Sampson County's authority to levy a room occupancy tax.*

The Senate PCS would add four other occupancy tax provisions to House Bill 1039:

- House Bill 1056, currently in Senate Finance. This Part would expand the jurisdiction of Yadkin County District Y to include all areas of the county except for the Town of Jonesville, effectively bringing the Town of Yadkinville within the taxing district. Concurrently, the bill would repeal the Town of Yadkinville's authority to levy an occupancy tax and abolish its tourism development authority.*
- Senate Bill 46, currently in House Local Government. This Part would modify the use of occupancy tax proceeds for the City of Jacksonville so that the city can use the majority of the proceeds for tourism-related expenditures, as opposed to travel and tourism promotion. The Senate passed this bill in April of last year, 2015.*
- Senate Bill 874, currently in House Rules. This Part would authorize the City of Sanford to levy a room occupancy tax of 3%. The proceeds must be remitted to a city Tourism Development Authority and must be used as follows: two-thirds for tourism promotion and the remainder for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center.*
- Senate Bill 874, currently in House Rules. This Part would create a special taxing district consisting of all of Harnett County, with the exclusion of the Averagesboro Township, and authorizes that special taxing district to levy a 6% room occupancy tax. The proceeds must be remitted to a Tourism Development Authority and must be used as follows: at least two-thirds for tourism promotion and the remainder for tourism-related expenditures.*

PART I. SAMPSON COUNTY

In 2007, the General Assembly granted Sampson County the authority to levy a 3% room occupancy tax. The provisions of that act conform to the Occupancy Tax Guidelines adhered to by the House Finance Committee.

Part I of Senate PCS for House Bill 1039 would increase from 3% to 6% the county's authority to levy an occupancy tax. No other changes are being made, so the local act would continue to conform to the Occupancy Tax Guidelines.

This Part would become effective when it becomes law.

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PART II. YADKIN COUNTY

Yadkin County has authority to levy a 6% occupancy tax in all areas of the county that lie outside the incorporated areas. The Towns of Jonesville and Yadkinville, which lie within Yakin County, each have authority to levy 6% occupancy tax. All three provisions conform to the Occupancy Tax Guidelines adhered to by the House Finance Committee.

Part II of the Senate PCS for House Bill 1039 would do the following:

- Expand the territorial jurisdiction over which Yadkin County has the authority to levy an occupancy tax.
- Repeal the authority of the Town of Yadkinville to levy an occupancy tax and its corresponding authority to administer that tax via a tourism development authority.

This Part would become effective July 1, 2016.

PART III. CITY OF JACKSONVILLE

Session Law 2009-429 authorized the City of Jacksonville¹ to levy a room occupancy tax of up to 3%. The provisions of the 2009 authorization conform to the uniform guidelines traditionally followed by the House Finance Committee. Under those guidelines, the proceeds are used as follows:

- At least two-thirds of the proceeds to promote travel and tourism. – Proceeds dedicated for this purpose must be used to advertise or market the city, publish and distribute marketing materials, or engage in similar promotional activities that attract tourists to the city.
- The remainder for tourism-related expenditures. – Proceeds dedicated for this purposes must be used for expenditures that, in the judgment of the Jacksonville Tourism Development Authority, are designed to increase the use of facilities in the city or to attract people to the city.

Part III of the Senate PCS for House Bill 1039 would modify the use of occupancy tax proceeds for the City of Jacksonville by reversing the normal distribution formula so that the majority of the proceeds could be used for tourism-related expenditures and the remainder for the promotion of travel and tourism. This change would not conform to the uniform guidelines followed by the House Finance Committee.

This Part would become effective when it becomes law.

PART IV. CITY OF SANFORD

The City of Sanford is located in Lee County, which has the authority to levy a 3% room occupancy tax.² The proceeds of the county tax are used for the construction and maintenance of a community resource center; specifically, these funds are used for the [Dennis A. Wicker Civic Center](#). The excess over the amount needed for maintenance may be used for any lawful purpose.

Part IV of the Senate PCS for House Bill 1039 would authorize Sanford to levy a 3% room occupancy tax. The City would be required to establish a Tourism Development Authority to administer the proceeds. Two-thirds of the proceeds must be used for tourism promotion, and the remainder must be used for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center. Of the funds dedicated for the Wicker Center, if, at the end of each fiscal year, there are funds that have not been spent or obligated for that purpose, the TDA may use those unexpended or uncommitted funds for tourism promotion in Sanford.

¹ Jacksonville is located in Onslow County, which also has authority to levy a 3% occupancy tax.

² S.L. 1987-538.

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This Part would become effective when it becomes law.

PART V: HARNETT COUNTY

In 1987, the General Assembly authorized Harnett County, as the governing body of Averasboro Township, to levy a 3% room occupancy tax in the township. In 2001, the taxing authority was increased to 6%. The proceeds must be remitted to the Averasboro Township Tourism Development Authority and must be used as follows: two-thirds for tourism promotion and the remainder for tourism-related expenditures. The tax only applies in within the township limits. Currently, there is no occupancy tax in Harnett County other than in Averasboro.

Part V of the Senate PCS for House Bill 1039 would create a special taxing district consisting of all of Harnett County, exclusive of the Averasboro Township. The Harnett County Board of Commissioners would serve as the governing body for the district and would be authorized to levy a 6% room occupancy tax in the district. The proceeds of the tax must be remitted to a district Tourism Development Authority. The Authority must use at least two-thirds of the funds for tourism promotion and the remainder for tourism-related expenditures.

This Part would become effective when it becomes law.

BACKGROUND: In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,³ which provide uniformity among counties and cities with respect to the levy, administration, collection, repeal, and imposition of penalties. In 1993, the House Finance Committee established the Occupancy Tax Guidelines, which address the rate of tax, the use of the tax proceeds, the administration of the tax, and the body with authority to determine how the proceeds will be spent. A summary of these provisions is detailed in the chart below.

Uniform Occupancy Tax Provisions
Rate – The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
Use – Two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism related expenditures.
Definitions The term "net proceeds", "promote travel and tourism", and "tourism related expenditures" are defined terms.
Administration – The net revenues must be administered by a local tourism development authority that has the authority to determine how the tax proceeds will be used, is created by a local ordinance, and at least 1/2 of the members must be currently active in the promotion of travel and tourism in the county and 1/3 of the members must be affiliated with organizations that collect the tax.
Costs of Collection – The taxing authority may retain from the revenues its actual costs of collection, not to exceed 3% of the first \$500,000 collected each year plus 1% of the remainder collected each year.

Trina Griffin, counsel to the House Finance Committee, substantially contributed to this summary.

³ G.S. 153A-155 and G.S. 160A-215.